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Programme budget for the biennium 2006-2007

Renovation to the residence of the Secretary-General: revised estimates to the programme budget for the biennium 2006-2007

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General containing revised estimates to the programme budget for the biennium 2006-2007 related to the renovation of the Secretary-General's residence (A/61/377). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification.

2. The Advisory Committee enquired about the status of the Secretary-General's residence described in paragraph 1 of the report. It notes that the United Nations became the owner of the building in 1972 and that the responsibility to maintain it rests with the Organization. The Committee was informed that the Headquarters Agreement between the United Nations and the United States of America did not include the Secretary-General's residence and that such a clause had been proposed for inclusion in the fourth supplemental agreement to the aforementioned Agreement. **The Advisory Committee trusts that the Secretariat will make every effort in order to reach a successful outcome to this pending matter.**

3. As indicated in the report, the condition of the Secretary-General's residence requires major renovation of the building's mechanical, electrical, plumbing, heating and cooling systems. While routine service and repairs have addressed ongoing maintenance issues, the systems of the building are obsolete and will have to be replaced. Details of the condition of the premises and operational deficiencies are contained in paragraphs 4 to 10 of the report.

4. The resource requirements related to the renovation work are estimated at $4,490,400 and the project is expected to be completed in nine months. As indicated in paragraph 23 of the report, the Secretary-General proposes that the General Assembly approve renovation of the residence and authorize the commitment of an

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amount up to $4,490,400 under the programme budget for the biennium 2006-2007 ($202,500 under section 1, Overall policymaking, direction and coordination, and $4,287,900 under section 32, Construction, alteration, improvement and major maintenance). The Secretary-General will report on expenditures related to the renovation of the residence in the context of the second performance report for the biennium 2006-2007.

5. The Advisory Committee notes from paragraphs 17 and 18 of the report that the estimated amount of $202,500 under section 1 relates to a one-time requirement for the provision of temporary accommodation for the incoming Secretary-General and his family and the one-time requirement of $4,287,900 under section 32 would provide for the proposed renovation and security upgrade of the residence.

6. **The Advisory Committee points out that in keeping with proper budget procedure (see resolution 41/213, annex I), the proposal to renovate the residence of the Secretary-General should have been submitted as part of the proposed programme budget for the biennium 2006-2007, rather than as revised estimates in the middle of the biennium. The Committee also points out that the condition of the building was known for quite some time and the Secretariat had sufficient time to thoroughly examine all the repairs and renovation needed, prepare the required plans and schedule of work and include the related budgetary requirements in the proposed programme budget. The Committee regrets that much of what should have been done as part of long-term and medium-term planning has not been done. As for the report now under consideration, the Committee would like to have seen more information on what options and alternative solutions were explored and how the cost estimates were arrived at.**

7. The Advisory Committee was informed that in the process of arriving at cost estimates for the current proposal, the Secretariat had taken into account the cost study carried out by a consultant in 2003 which had covered only the installation of a central heating, ventilating and air conditioning system at the residence and was estimated at $1.7 million. The current estimate of $2.1 million for the central heating, ventilating and air conditioning system reflected a 27 per cent increase as a result of inflation of 3 per cent per year (9 per cent total), an increase in the cost of equipment owing to advances in design and technology (8 per cent) and the increase in manufacturing and transportation costs. The Committee was further informed that the remaining cost elements in the current estimate were due to an increase in the scope of work which had been arrived at by the Secretariat based on best knowledge and industry practice. Owing to the added scope, the architectural and engineering fees had also increased accordingly.

8. The table below, which was provided by the Secretariat upon request, inter alia, summarizes the cost estimates of renovation design and construction with a breakdown of aesthetic and infrastructure costs. Included under aesthetic costs are those components in respect of which decisions would need only to be made at the final stage of the project.

(United States dollars)

Particulars	*Cost estimates (2003)*	*A/61/377*	*Infrastructure costs*	*Percentage*	*Aesthetic costs*	*Percentage*
Architectural and engineering fees	268 131	397 000	—		—	
Central heating, ventilating and air conditioning system	1 649 044	2 100 000	2 100 000	100	—	0
Electrical system upgrade	—	250 000	250 000	100	—	0
Kitchen upgrade	—	200 000	130 000	65	70 000	35
Entry hall restrooms refurbishment	—	100 000	70 000	70	30 000	30
Public areas repairs and upgrade	—	425 000	300 000	71	125 000	29
Phone systems replacement and upgrade	—	65 000	65 000	100	—	0
Miscellaneous landscaping	—	100 000	80 000	80	20 000	20
Total infrastructure/aesthetic breakdown			**2 995 000**	**92**	**245 000**	**8**
Total design and construction costs	**1 917 175**	**3 637 000**				
Temporary accommodation costs	—	202 500				
Access control package	—	85 000				
Physical control system and alterations	—	263 500				
Digital video recording systems and additional cameras	—	137 700				
Specialized monitoring sensor system	—	148 800				
Time device and replacement monitors	—	8 000				
Fire system upgrades with Headquarters connectivity	—	7 900				
Security upgrades	—	**650 900**				
Total cost estimate	**1 917 175**	**4 490 400**				

9. The Advisory Committee sought additional information on the time schedule of the renovation work and main stages of the project and was informed that the proposed schedule of the project was as follows:

(a) *Design phase*: it was estimated at three months, with completion on 31 December 2006. The design phase would need to commence in advance, using present on-call contracts in order to meet the projected completion date of the project;

(b) *Selection phase*: the selection of a general contractor was estimated to take three months to allow for the competitive bidding process. That should be completed by 31 March 2007.

(c) *Construction phase*: the construction phase was estimated to take six months, with completion of the project estimated by 30 September 2007.

10. **The Advisory Committee stresses the need to adhere strictly to the time schedule of the renovation work, should the General Assembly decide to**

approve the Secretary-General's proposal. The Committee cautions that delays in the implementation of the project may entail cost escalation and should therefore be avoided. In that regard, the Committee expects that contracts will stipulate that the United Nations will not be responsible for any cost escalation caused by delays on the part of the contractor. The Committee further expects that measures will be taken to ensure transparency and accountability of the project, including appropriate open-bidding procedures.

11. The Advisory Committee has also enquired into the scope of the project that might be affected by the Sutton Place Association and was informed that it was limited to the exterior only and related to the installation of two external card readers. According to the Secretariat, it was likely that an alternative solution could be used so as to avoid that issue.

12. In response to the Advisory Committee's question as to whether it would be possible to ensure the minimum operating security standards (MOSS) requirement even if the Sutton Place Association did not agree to the changes to the property, the Secretariat stated that the requested safety and security upgrades of the residence would serve as mitigating measures. It was not possible to ensure full MOSS compliance at the residence because the MOSS requirement for a specific setback from vehicles and parking areas could not be achieved. Section III, paragraph 10, of the Headquarters MOSS states: "In the event that minimum stand-off zones cannot be established, priority shall be given to relocation of United Nations system organizations activities to more secure premises, or a special assessment carried out so that *targeted mitigation measures can be put in place*" (emphasis added). **The Advisory Committee trusts that all efforts will be made to successfully conclude negotiations with the Sutton Place Association in order to ensure that all necessary security improvements are implemented, as required.**

13. The Secretariat provided, upon request, information on expenditures under section 32 for the current biennium, which is shown in the table below:

(Thousands of United States dollars)

	Appropriation	Expenditure as at 30 September 2006
Alterations and improvements		
Headquarters	19 744.6	4 879.5
Geneva	13 496.5	5 565.0
Vienna	1 787.9	488.2
Nairobi	2 817.3	582.7
Economic and Social Commission for Asia and the Pacific	1 988.4	353.5
Economic Commission for Latin America and the Caribbean	1 702.8	319.7
Economic Commission for Africa	6 107.4	1 754.9
Subtotal	**47 646.9**	**13 945.4**

	Appropriation	*Expenditure as at 30 September 2006*
Major maintenance		
Headquarters	8 601.4	2 846.9
Geneva	4 881.6	1 226.7
Vienna	759.7	339.6
Nairobi	1 762.6	271.4
Economic and Social Commission for Asia and the Pacific	1 383.8	458.4
Economic Commission for Latin America and the Caribbean	536.6	7.5
Economic Commission for Africa	1 216.8	103.4
Subtotal	**19 142.5**	**5 253.9**
United Nations enterprise network	**8 051.9**	**3 603.6**
Total	**74 841.3**	**22 802.9**

The Advisory Committee observes that expenditures under alterations and improvements amounted to $13.9 million as at 30 September 2006, that is, approximately 29 per cent of the appropriation of $47.6 million. **Taking this into account, the Advisory Committee trusts that the full amount of the estimated cost of $4,287,900 related to the renovation and security upgrade of the residence will be absorbed within the approved appropriations under section 32 of the programme budget for the current biennium. Similarly, every effort should be made to absorb projected requirements of $202,500 under section 1 of the programme budget for the biennium 2006-2007 (see para. 14 below).**

14. **Taking into account the views and observations in the paragraphs above, and subject to those contained in paragraph 10 above, the Advisory Committee recommends that the General Assembly: (a) approve the proposed renovation of the Secretary-General's residence; and (b) authorize the Secretary-General to enter into commitments up to an amount of $4,490,400 under the programme budget for the biennium 2006-2007 ($202,500 under section 1, Overall policymaking, direction and coordination, and $4,287,900 under section 32, Construction, alteration, improvement and major maintenance) and to report on expenditures related to the renovation of the residence in the context of the second performance report for the biennium 2006-2007.**